



The EU28 dumping of its dairy products to SADC in 2016

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Dairy is the second largest EU agricultural production sector with 14.1% of the whole agricultural production value in 2015, after fruits and vegetables (23.8%) and before cereals and seeds (13.3%). It provided €3.9 billion in export value in 2015. However the EU dairy policy has faced recurrent crises, particularly severe in the last three years, because its dairy policy has always been built on overproduction, starting from the beginning of the CAP at the end of the 60s. This was fostered by one of the highest import duties in the world and unlimited export refunds before the WTO, including through external food aid, refunds larger than €2 bn up to 1995, before declining and disappearing in 2015. Because the production quotas implemented since 1984 have been fixed 10% higher than domestic needs overproduction and falling farm prices continued and with it the need to increase exports. With the reduction of farm prices compensated by blue box direct payments of the CAP reforms of 1992 and 1999, followed by the alleged green box (fully decoupled) payments of the reform of 2003, the EU has striven to open new markets through bilateral FTAs, particularly after the Russian ban on imports and the reduction of Chinese imports. The EU has just succeeded to open 18,500 tonnes of cheese exports to Canada with the ratification of CETA by the EU Parliament, it is pressuring India to open its dairy market in the negotiations of its FTA, and above all it is pressuring ACPs countries to sign and implement EPAs (Economic Partnership Agreements).

The SADC EPA has been applied provisionally after ratification by the EU Parliament on 14 September 2014 and pending ratification by Mozambique in 2017.

Although the EU claims that it is not subsidizing its agricultural exports since it is no longer using export refunds its domestic subsidies benefit as well its exported products with the same dumping effect even though the bulk of them are notified in the WTO green box as allegedly fully decoupled.

The European Milk Board (EMB) together with the German Büro für Agrarsoziologie und Landwirtschaft (BAL) have assessed for 2013 the milk production costs of the specialized milk farms for Belgium, Germany, Denmark, France and the Netherlands, based on data from the EU Farm Accountancy Data Network (FADN) in which they present explicitly the direct payments per tonne of milk (total, of which the decoupled SFP, single farm payment)¹. We assume that the €40.48 of the weighted average subsidy per tonne of these 5 EU countries can be extended to all EU28 exports. But we can use instead the €45.82 average decoupled aid per tonne of milk in 2007 for all EU27 member States published by the EU Commission report of November 2011² based on data for 2007 and made by the University of Wageningen (table 17.6). Finally we chose to use the average of these two sources, of €43.15 per tonne of milk equivalent (tme). Furthermore we do not take into account the €846 M of voluntary coupled support to dairy farms in 2015 plus € 500 M in August 2016 and the storage costs of SMP.

¹ <http://www.europeanmilkboard.org/special-content/milk-production-costs.html>

² <http://www.usc.es/ecoagra/arquivos//2011.11-Evaluation-CAP-measures-dairy-sector-final-deliverable.pdf>

Unfortunately this EMB assessment forgot to add the feed subsidies incorporated in the direct aids to the cereals, oilseeds meals and pulses (COPs) of EU origin consumed by the dairy cows. We have shown that these subsidies were of €17 per tonne of milk, based on data for 2010, and drawn from the Tallage report³.

Which makes a total subsidy per tme of €60.15 and total subsidies to the EU28 exports of dairy to SADC of €18,1 million in 2016.

Table 1 – Total subsidies to the EU28 exports of dairy products to SADC in 2016

Tonnes,€1000	0401	0402	0403	0404	0405	0406	1702	190110	2105	3501	Total
Products: t	14260,9	7010,9	2526,3	5798,1	2246,3	10988,9	6316,9	2340,8	1071,4	1581,9	54142,4
FOB value	6153,1	13449,2	4012,6	9374,6	8226,9	39114,6	5262,2	10191,8	2884	8356	107025
FOB price: €/t	431,5	1918,3	1588,3	1616,8	3662,4	3559,5	833	4354	2691,8	5282,3	1976,7
ME rate	2,6023	5,98	1,66	7	10	7,96	4,8	4	0,7	2,8	5,56
ME: t	37111	41925	4194	40587	22463	87472	52747	9363	750	4429	301041
Subsidies in €	2232227	2521789	252269	2441308	1351149	5261441	3172715	563184	45113	266424	18107619
Dumping rate	36,3%	18,8%	6,3%	26%	16,4%	13,5%	60,3%	5,5%	1,6%	17,1%	16,9%

Source: Eurostat, EMB, CLAL and SOL; 0401: milk and cream; 0402: concentrated milk; 0403: yogurt; 0404: whey; 0405: butter; 0406: cheese; 1702: lactose; 190110: infant formulas; 2105: ice cream; 3501: casein&caseinate

³ Tallage, *Modelling of feed consumption in the European Union*, November 2009, a report prepared for DG Agriculture for which "the study provided a comprehensive overview of feed consumption in the EU": http://ec.europa.eu/agriculture/analysis/external/feed/index_en.htm